

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 PA-04 PRS-01 USIA-15 AID-20 CIAE-00

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R 230916Z MAY 74

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 0614

INFO AMEMBASSY JAKARTA

R MJKL/AMEMBASSY KUALA LUMPUR 5228

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E.O. 11652: N/A

TAGS: ELAB

SUBJECT: MORE PAY TO THE PEOPLE

SUMMARY. THE MUCH ANTICIPATED NATIONAL WAGES COUNCIL (NWC) RECOMMENDATIONS WERE FINALIZED MAY 8 AND APPROVED BY THE GOS ON MAY 18. THE NEW RECOMMENDATION CALL FOR A S\$40 (S\$2.40 EQUALS US\$1.00, MAY 21) ACROSS THE BOARD INCREASE FOR BOTH PUBLIC AND PRIVATE SECTOR EMPLOYEES, WITH AN ADDITIONAL SIX PERCENT FOR THOSE WHO HAVE RECEIVED A PAY INCREMENT SINCE LAST JULY OR AN ADDITIONAL 10 PERCENT FOR THOSE WHO HAVE NOT. THE RECOMMENDATIONS WILL GO INTO EFFECT JULY 1. PUBLIC REACTION BY BOTH LABOR LEADERS AND MANAGEMENT HAS BEEN SCANTY AS BOTH STILT STUDYING THE IMPLICATIONS OF THE RECOMMENDATIONS. GENERAL WORKER FEELING SEEMS TO BE FAVORABLE. END SUMMARY.

1. THE PRLUDE TO THIS YEAR'S RECOMMENDATION.

THIS YEAR MORE ANTICIPATION AND SHECULATION PRECEDED THE ANNOUNCEMENT OF THE NWC GUIDELINES THAN IN EITHER OF THE

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PREVIOUS TWO YEARS IN THE NWC'S SHORT HISTORY. THE

SURPRISE S\$25 INTERIM INCREASE RECOMMENDED BY THE NWC IN FEBRUARY (SE SINGAPORE A-17, FEBRUARY 8, 1974) HEIGHTENED INTEREST IN HOW THE GOS WOULD RESPOND TO THE RAPID INFLATION WHICH HAS PLAGUED SINGAPORE IN THE LAST YEAR AND A HALF. (AVERAGE CONSUMER PRICES IN MARCH WERE UP APPROXIMATELY 35 PERCENT OVER A YEAR AGO).

THE INABILITY OF THE NWC TO HAVE RECOMMENDATIONS READY BY MAY DAY, AS HAS BEEN CUSTOMARY, FURTHER HEIGHTENED SPECULATION AND LED TO RUMORS THAT THE NWC WAS DEADLOCKED. GOVERNMENT SPEECHES CAUTIONING WAGE RESTRAINT, YET PROMISING JUSTICE FOR WORKERS AT THE SAME TIME, MADE MATTERS MORE CONFUSING, AND EVEN LED TO UNCONFIRMED RUMORS THAT THE CABINET WAS SPLIT ON THE ISSUE OF WAGES. ON MAY 8, HOWEVER, THE NWC CAME THROUGH WITH A UNANIMOUS RECOMMENDATION. GOVERNMENT ACCEPTANCE CAME LESS THAN TWO WEEKS LATER AND THE NWC GUIDELINES WILL GO INTO EFFECT ON JULY 1.

2. THE RECOMMENDATION. THE NWC BASICALLY RECOMMENDED THAT EMPLOYEES IN BOTH THE PUBLIC AND PRIVATE SECTORS BE GIVEN A S\$40 INCREASE, WHICH INCLUDES THE S\$25 INTERIM PAYMENT MADE IN FEBRUARY, PLUS A SIX PERCENT INCREASE. FOR THOSE WHO HAVENOT RECEIVED ANY WAGE RISE SINCE LAST YEAR'S NWC RECOMMENDATIONS, A 10 PERCENT INCREASE IS RECOMMENDED INSTEAD OF SIX PERCENT. THE BASE FOR CALCULATING THE PAY HIKE WILL BE THE SALARY AS OF JUNE 30, 1974, EXCLUDING THE S\$25 FEBRUARY INCREASE. THE GOVERNMENT ACCEPTED THE GUIDELINES WITH THE EXCEPTION THAT IT RAISED THE PERCENTAGE INCREASE FOR CIVIL SERVANTS FROM SIX TO 10 PERCENT AND GAVE NATIONAL SERVICEMEN ONLY A SIX PERCENT INCREASE, DROPPING THE FLAT S\$40 INCREASE. THE GOS ALSO RULED THAT CENTRAL PROVIDENT FUND (CPF) CONTRIBUTIONS WOULD BE RAISED FROM 13 TO 15 PERCENT FOR BOTH EMPLOYER AND EMPLOYEE ALIKE. THE RECOMMENDATIONS APPLY TO ALL EMPLOYEES IN SINGAPORE EXCEPT MANAGEMENT AND EXECUTIVE PERSONNEL NOT COVERED BY COLLECTIVE AGREEMENTS. ALTHOUGH NOT MANDATORY NWC RECOMMENDATIONS ARE GENERALLY ADOPTED BY INDUSTRY. THEY ALSO BECOME POINT OF REFERENCE FOR ANY NEGOTIATION OR ARBITRATION.

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3. THE REACTION. MANAGEMENT AND LABOR HAVE BEEN SLOW TO REACT TO THE RECOMMENDATIONS. PRESS REPORTS AND INTERVIEWS SHOW THE COMMON LABORER IS HAPPY WITH THIS NEW RATE. THOSE LABOR LEADERS WHO HAVE VENTURED AN OPINION EXPRESSED THEIR PLEASURE, IF IN SOMEWHAT MUTED TONES. ONE LEADER DID SAY THAT THE RECOMMENDATIONS WERE TOO SMALL, BUT THE REST HAVE JUST EXPRESSED A GENERAL SATISFACTION AND ARE AWAITING

A CENTRAL COMMITTEE MEETING TO BE HELD ON THE 28TH BEFORE
MAKING FURTHER COMMENT.

4. COMMENT. BASED ON ESTIMATES, THE INCREMENT
AMOUNTS TO APPROXIMATELY 27 PERCENT OVER YEAR-END
AVERAGE INDUSTRIAL WAGES. A KEY QUESTION, OF COURSE,
IS HOW WILL THE WAGE INCREASE AFFECT SINGAPORE'S
COMPETITIVE POSITION AND WHETHER FIRMS WILL BE FORCED
TO MOVE TO MALAYSIA, INDONESIA OR ANOTHER SOURCE OF
CHEAPER LABOR.

. SINGAPORE WOULD NOT OBJECT TO THE EXODUS
OF SOME MARGINAL (LABOR INTENSIVE) FIRMS. THIS WOULD
CONFORM TO POLICY OF UPGRADING TECHNOLOGY; SINGAPORE
STILL HAS FULL EMPLOYMENT SITUATION. SOME TEXTILE AND
WIG MAKERS CLOSED SHOP AFTER FEBRUARY INTERIM INCREASE.
HOWEVER, GOS WOULD NOT WISH TO FORCE OUT DESIRED FIRMS.
AT THIS STAGE IT IS STILL TOO SOON TO PREDICT HOW MANY
FIRMS WILL GO OR HOW MANY WORKERS WILL BE AFFECTED.
LABOR LEADERS HAVE TOLD US, HOWEVER, THAT THEY HAVE A
ROUGH ESTIMATE OF THE NUMBER OF FIRMS WHICH WOULD BECOME
UNPROFITABLE AT ANY PARTICULAR WAGE RATE AND THEY ARE NOT
WORRIED.

5. GOS TELLS US THAT RATE OF INFLATION HERE IS NOW 35
PERCENT BASED ON CONSUMER PRICE INDEX. HOWEVER, GOS
PUBLICITY REFERS TO 22.9 PERCENT AS AVERAGE FOR 1973. SO
THE 27 PERCENT PROBABLY LOOKS GOOD TO MANY WORKERS, BUT
DOESN'T REPRESENT A RISE IN REAL WAGES. THE RAISE SHOULD
BE SUFFICIENT TO HEAD OFF DEVELOPMENT OF SIGNIFICANT LABOR
DISCONTENT WITH NTUC LEADERSHIP AT THIS TIME.
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